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FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC 1552
INFO RUEHAC/AMEMBASSY ASUNCION 6351
RUEHBO/AMEMBASSY BOGOTA 3675
RUEHBR/AMEMBASSY BRASILIA 7541
RUEHBU/AMEMBASSY BUENOS AIRES 4795
RUEHCV/AMEMBASSY CARACAS 2047
RUEHPE/AMEMBASSY LIMA 2120
RUEHME/AMEMBASSY MEXICO 1943
RUEHMN/AMEMBASSY MONTEVIDEO 4245
RUEHQT/AMEMBASSY QUITO 4684
RUEHSG/AMEMBASSY SANTIAGO 9269
RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEANHA/FAA NATIONAL HQ WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS LA PAZ 003289

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STATE FOR EB/TRA JHORWITZ AND WHA/AND LPETRONI
STATE PASS TO DOT FOR CCOLDREN AND BHEDBERG
STATE PASS TO FAA FOR CCAPESTANY AND KBERQUIST
COMMERCE FOR EALFORD AND JANGLIN
TREASURY FOR SGOOCH

E.O. 12958: N/A
TAGS: [EAIR](#) [ECON](#) [EINV](#) [ETRD](#) [PGOV](#) [PREL](#) [BL](#)
SUBJECT: GOB EQUALIZES JET FUEL PRICES

REF: LA PAZ 657 AND PREVIOUS

11. (U) In an unexpected move, the GOB issued a Supreme Decree November 20 equalizing jet fuel prices for foreign and domestic air carriers operating international routes. Fuel taxes remain, but domestic carriers servicing international routes no longer enjoy access to reduced-price fuel, as they did after December 2004, when the GOB began taxing fuel uplifted by foreign carriers.

12. (U) American Airlines' Country Manager Drago Komadina told Econoff December 5 that the company is pleased with the elimination of domestic carriers' price advantage but would like to see the GOB lower or abolish fuel taxes, which the company claims are higher than those in neighboring countries.

13. (SBU) Comment: While the GOB's decision to equalize jet fuel prices may be good news for American Airlines, it may not resolve a long-standing bilateral dispute arising from the GOB's imposition of taxes on fuel uplifted by U.S. carriers (reftels). In the absence of reciprocal tax exemptions, the USG must by law proceed with steps to remove Bolivian air carriers' current exemptions from U.S. fuel taxes. End comment.

URS